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June 22, 1994

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

William Caton, Secretary  
Federal Communications Commission  
1919 M Street, NW  
Room 222  
Washington, DC 20554

Attn: William E. Kennard, General Counsel  
Sara Seidman, Special Assistant  
Peter Tenhula, Staff Attorney

Re: General Docket No. 90-314  
PP Docket No. 93-253 ✓

**EX PARTE PRESENTATION OF  
MINNESOTA EQUAL ACCESS NETWORK SERVICES, INC.**

Dear Mr. Caton:

This letter is to confirm the ex parte meeting between the undersigned, on behalf of the Minnesota Equal Access Network Services, Inc. (MEANS), and Sara Seidman and Peter Tenhula of the Office of General Counsel on Monday, June 20, 1994. As discussed at that meeting, MEANS supports many of the recent Personal Communications Service (PCS) rule changes adopted by the Commission, as well as some of the auction rule change proposals which the Commission has under consideration for the treatment of designated entities in spectrum auctions. We have consulted with MEANS about the proposals discussed at the meeting, and wish to provide the Commission with the following additional information.

As discussed, MEANS favors a proposal that is under consideration which would establish the newly created 30 MHz PCS spectrum block C (and perhaps the 10 MHz block F) as an "entrepreneur's band." It is our understanding that such proposal, if adopted, would probably define eligibility for the band as entities with gross annual revenues of under \$100 million, and that designated entities bidding on this band will be allowed to attract investors under limited circumstances. MEANS supports this idea, so long as there is no great disparity between the benefits

available to the various designated entities; and so long as no single investor can hold a dominant equity interest in the applicant, unless that investor itself qualifies as an "entrepreneur." Otherwise, the auction for this band is likely to be dominated by the largest players in the telecommunications industry, especially those who are unsuccessful in obtaining a 30 MHz Major Trading Area (MTA) license.

Specifically, MEANS would support a rule which allows any investor with under \$100 million gross annual revenues to hold a majority of the equity in the applicant. However, if the investor has greater than \$100 million in gross annual revenues (or otherwise does not meet whatever eligibility standard is adopted for the proposed entrepreneur band), then this entity would be limited to a minority equity interest, preferably a share no greater than 20 to 25%. If an investor that does not qualify as an entrepreneur can hold a majority or greater equity position, the largest corporations will be able to assume de facto control over the PCS entity even if an "entrepreneur" retains 50.1% or greater voting power. The Commission has long recognized the power of the purse strings in controlling a licensee. If, on the other hand, no single investor can hold such dominating position, there will be a balance of influence on the licensee even if the aggregate investors' equity exceeds 50%.

MEANS also reiterated at the meeting its concern that the Commission recognize the important role that centralized equal access providers (CEAP) can play in bringing PCS and other emerging technologies to rural America. By copy of this letter, MEANS is simultaneously forwarding to the General Counsel's office its May 26, 1994 ex parte presentation, which describes the role of MEANS and other CEAPs in bringing to rural communities advanced services such as long distance competition, SS7, distance learning, and enhanced emergency services. Even under the entrepreneur band proposal, rural telephone companies seeking to form a consortium may be penalized, since their minority interests in cellular licenses serving their Basic Trading Area (BTA) may be aggregated to greater than the 40% ownership limit allowed by the rules. The Commission has recognized the importance of CEAPs in pooling the resources of rural telephone companies to provide services which these companies individually could not undertake. Given the Commission's recognition that PCS will be a capital-intensive service, an exception to the cellular restriction for CEAPs would serve the public interest by helping to ensure that these enhanced services reach rural communities. The bona fides of each CEAP and its members has been certified by the Commission.

The Commission should also design its affiliation rules for the entrepreneur band in a way that will not penalize rural telephone companies that are members of a CRAP. These telephone companies exist apart from the CRAP, which is an organizational mechanism designed to achieve economies of scale in bringing high-cost, advanced services to sparsely populated areas.

Respectfully submitted,

  
John A. Prendergast  
Attorney for Minnesota Equal Access  
Network Services, Inc.

**CERTIFICATE OF SERVICE**

I, John A. Prendergast, hereby certify that I am an employee in the Law Offices of Blooston, Mordkofsky, Jackson & Dickens, and that on this 22nd day of June, 1994, I caused to be hand delivered a copy of the foregoing "**EX PARTE PRESENTATION OF MINNESOTA EQUAL ACCESS NETWORK SERVICES, INC.**" to the following:

Secretary  
Federal Communications Commission  
1919 M Street, NW  
Washington, DC 20554

Chairman Reed Hundt  
Federal Communications Commission  
1919 M Street, NW Room 184  
Washington, DC 20554

Commissioner James Quello  
Federal Communications Commission  
1919 M Street, NW Room 802  
Washington, DC 20554

Commissioner Andrew Barrett  
Federal Communications Commission  
1919 M Street, NW Room 844  
Washington, DC 20554

Commissioner Susan Ness  
Federal Communications Commission  
1919 M Street, NW Room 832  
Washington, DC 20554

Commissioner Rachelle Chong  
Federal Communications Commission  
1919 M Street, NW Room 844  
Washington, DC 20554

Ralph Haller, Chief  
Private Radio Bureau  
Federal Communications Commission  
2025 M Street, NW Room 500  
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Gerald P. Vaughan, Deputy Bureau Chief  
Common Carrier Bureau  
Federal Communications Commission  
1919 M Street, NW Room 500  
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John A. Prendergast